

Message Text

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ACTION OES-04

INFO OCT-01 EA-06 ISO-00 FEA-01 NSA-01 ACDA-05 CIAE-00

INR-05 IO-10 L-02 NSC-05 RSC-01 ABF-01 TRSE-00 OMB-01

/043 W

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P R 130910Z NOV 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 5976

INFO AEC GERMANTOWN

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E.O. 11652: N/A

TAGS: TECH JA US

SUBJ: ABCC

REF (A) KRATZER-LIVERMAN TELCON NOV. 13, (B) STATE 234557

1. CONFIRMING KRATZER/LIVERMAN TELCON, MHW OFFICIAL (IMAIZUMI) CALLED ON SCICOUNS NOV. 12 TO REPORT THAT, FOLLOWING SERIOUS AND HIGH LEVEL REVIEW BY ALL CONCERNED MINISTRIES, INCLUDING FONOFF OF AMBASSADOR HODGSON'S REQUEST TO NIKAIDO FOR GOJ ASSISTANCE IN MEETING ABCC'S CURRENT FINANCIAL NEEDS, CONCLUSION HAD BEEN REACHED THAT THIS COULD NOT BE ACCOMPLISHED. IMAIZUMI EXPLAINED DECISION ON FOLLOWING GROUNDS:

A) INCLUSION OF ADDITIONAL SUM REQUESTED IN GOJ'S SUPPLEMENTAL BUDGET NOW UNDER PREPARATION, AND TRANSFER TO ABCC AS ADDITION TO ABCC RESEARCH ENTRUSTMENT CONTRACT CANNOT BE DONE SINCE NO OTHER JAPANESE INSTITUTION HOLDING SUCH RESEARCH CONTRACT WILL RECEIVE SUPPLEMENTARY FUNDS. NOTING THAT CONTRACT WITH ABCC IS FOR PURCHASE OF RESEARCH RESULTS, NOT FOR PAYMENT OF OPERATING COSTS, IMAIZUMI EXPLAINED THAT IT WOULD BE OUT OF QUESTION FOR GOJ TO SUPPLEMENT CONTRACT FOR ABCC, A U.S. INSTITUTION, WHILE REJECTING SIMILAR REQUESTS FROM JAPANESE ORGANIZATIONS.

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B) INCLUSION OF FUNDS IN JFY 1975 BUDGET, AND TRANSFER TO

ABCC AFTER APRIL 1, 1975 TO COVER PRIOR DEFICITS (AS WAS DONE IN CASE OF LAST DEFICIT), ALSO IMPOSSIBLE, ACCORDING TO IMAIZUMI, SINCE BY APRIL 1975, ABCC WOULD NO LONGER EXIST; THEREFORE, THERE WOULD BE NO ENTITY WITH WHICH MHW COULD CONTRACT.

2. BOTH OF ABOVE ARGUMENTS DEPEND, OF COURSE, ON ASSUMPTION THAT RESEARCH ENTRUSTMENT CONTRACT IS ONLY MECHANISM AVAILABLE TO GOJ TO TRANSFER FUNDS TO FOREIGN INSTITUTION SUCH AS ABCC. DEPT. AND AEC MAY RECALL THAT LEGALITY OF TRANSFER OF FUNDS WAS SERIOUS ISSUE PRIOR TO GOJ DECISION TO PROVIDE ASSISTANCE LAST YEAR, AND WAS RESOLVED ONLY BY THIS MEANS. IMAIZUMI STATED THAT HE IS AWARE OF NO OTHER POSSIBLE MECHANISM FOR TRANSFER OF FUNDS FROM GOJ TO ABCC.

3. SCICOUNS POINTED OUT THAT REASONS CITED BY IMAIZUMI WERE BASICALLY PROCEDURAL OR TECHNICAL IN NATURE, AND INQUIRED WHETHER GOJ WAS IN PRINCIPLE PREPARED TO PROVIDE FUNDS IF WAY COULD BE FOUND TO DO SO. IMAIZUMI RESPONSE WAS THAT OVERALL FISCAL TIGHTNESS WAS ALSO MAJOR FACTOR IN DECISION.

4. SCICOUNS STATED THAT HE COULD NOT RESPOND TO IMAIZUMI'S NOTIFICATION PENDING ADVICE FROM WASHINGTON, BUT OBSERVED THAT REQUEST WAS BASED ON UNAVAILABILITY TO AEC OF FUNDS TO MEET DEFICIT. THEREFORE, RESULT COULD WELL BE THAT SERIOUS REDUCTION IN ABCC OPERATIONS PRIOR TO APRIL 1, 1975 WOULD RESULT FROM GOJ DECISION. SCICOUNS REQUESTED IMAIZUMI'S BEST ESTIMATE ON CONSEQUENCES OF SUCH REDUCTION. AFTER EXPRESSING RELUCTANCE TO COMMENT ON ISSUE, IMAIZUMI SAID CONSEQUENCES OF CUT-BACK WOULD BE "VERY SERIOUS", BUT DID NOT GO INTO ANY DETAILS OF WHAT FORM THESE CONSEQUENCES MIGHT TAKE. IMAIZUMI CONCLUDED DISCUSSION BY SAYING THAT, WHILE IT MIGHT APPEAR INCONSISTENT WITH HIS PREVIOUS ADVICE THAT GOJ ASSISTANCE WAS IMPOSSIBLE, HE WOULD APPRECIATE HEARING AS SOON AS POSSIBLE IF U.S. INTENDED TO TAKE EXCEPTION TO GOJ DECISION, SINCE PREPARATION OF SUPPLEMENTARY BUDGET WAS NEARING COMPLETION.

5. AT DR. LIVERMAN'S SUGGESTION, EMBASSY HAS CONTACTED ABCC FOR BEST ESTIMATE OF ABCC COSTS PRIOR TO APRIL 1, 1975, AND FOR PERIOD APRIL 1 TO JUNE 30, 1975 (DURING WHICH US RESPONSIBLE FOR ONLY LIMITED OFFICIAL USE

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ONE-HALF OF COSTS.) ABCC INFORMATION IS AS FOLLOWS:

A. THE COSTS FOR THE NINE-MONTH PERIOD JUNE 1, 1974 THROUGH MARCH 31, 1975 TOTAL \$8,776,000. THIS AMOUNT INCLUDES \$2,080,000 FOR THE COST OF TERMINATION ALLOWANCES ACCRUING THROUGH MARCH 31, 1975.

B. THE BEST ESTIMATE OF COST FOR THE PERIOD APRIL 1, 1975 THROUGH JUNE 30, 1975, IS \$1,700,000. \$929,000 (1/2 OF ABCC COSTS PLUS SUPPLEMENTAL STAFF PAYMENTS) WOULD COME FROM AEC. THIS

ESTIMATE INCLUDES ONLY A NOMINAL AMOUNT OF \$50,000 FOR POSSIBLE PAYMENTS OF TERMINATION ALLOWANCES BY THE NEW FOUNDATION DURING THE THREE-MONTH PERIOD. THE ESTIMATES FOR THIS THREE-MONTH PERIOD ARE BASED ON THE BEST INFORMATION NOW AVAILABLE ON THE OPERATING PRACTICES OF THE NEW FOUNDATION.

C. THE FUNDS NOW AVAILABLE TO MEET REQUIREMENTS FOR THE PERIOD JULY 1, 1974 THROUGH MARCH 31, 1975 ARE:

JAPAN ENTRUSTMENT CONTRACT \$1,204,000

AEC 5,071,000 (6,000,000 FROM

AEC LESS 929,000 FOR 4TH QUARTER)

US NIH AND OTHERS 221,000

TOTAL \$6,496,000

ADDITIONAL FUNDS REQUIRED \$2,280,000

TOTAL REQUIREMENT JULY 1, 1974 THROUGH MARCH 31, 1975

\$8,776,000

DR. ALLEN SAID ABOVE INFORMATION PLUS SUPPORTING DETAIL WAS CONTAINED IN DOCUMENTS GIVEN TO WHITNAH BY ROSENTHAL ON OCTOBER 8 AT GERMANTOWN.

6. EMBASSY COMMENT: IT WAS CLEAR FROM IMAIZUMI PRESENTATION THAT SERIOUS EFFORTS HAD BEEN MADE TO SECURE REQUESTED FUNDS, AND THAT HE, UNDOUBTEDLY REFLECTING MHW ATTITUDE, WAS DEEPLY CONCERNED

BY POSSIBLE CONSEQUENCES OF ABCC DEFICIT. NEVERTHELESS, AS FORECAST IN EARLIER MESSAGES, EMBASSY DOES NOT FIND GOJ DECISION UNEXPECTED. REQUEST FOR SUPPLEMENTARY FUNDS FROM FINANCIALLY-STRAPPED JAPANESE GOVERNMENT ON SHORT NOTICE AND OUTSIDE NORMAL BUDGET CYCLE WOULD BE DIFFICULT FOR GOJ TO COMPLY WITH AT BEST. MOREOVER, WE MUST FACE FACT THAT GOJ DOES NOT REGARD ABCC AS ITS RESPONSIBILITY PRIOR TO ESTABLISHMENT OF JOINT INSTITUTE. PREVIOUS CONTRIBUTION WAS AGREED UPON AFTER FAR LENGTHIER DISCUSSIONS, AND, RIGHTLY OR WRONG, WAS LOOKED UPON BY GOJ AS ALL THEY SHOULD BE CALLED UPON LIMITED OFFICIAL USE

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TO DO BEFORE ESTABLISHMENT OF NEW INSTITUTE. THUS, WHILE IMIZUMI HAS LEFT DOOR OPEN FOR FURTHER US APPROACH, WHICH WE RECOMMEND MAKING, EMBASSY IS NOT OPTIMISTIC REGARDING OUTCOME.

7. AS PREVIOUSLY REPORTED, ONLY HIGH-LEVEL APPROACHES HAVE CHANCE OF RECEIVING SERIOUS CONSIDERATION, AND IT WAS ON THIS BASIS THAT AMBASSADOR HODGSON APPROACHED NIKAIDO LAST WEEK DURING US NEGOTIATING TEAM VISIT TO JAPAN. SINCE NIKAIDO HAS LEFT CABINET SECRETARY SLOT, THIS CHANNEL DOES NOT EXIST NOW, BUT AMBASSADOR OR DCM PREPARED TO DO WHATEVER POSSIBLE TO SECURE FURTHER CONSIDERATION OF FUND REQUEST ON RECEIVING ADVICE THAT THIS IS DESIRED. WE ALSO, HOWEVER, RECOMMEND THAT DEPARTMENT AND AEC MAKE APPROACH TO JAPANESE EMBASSY WASHINGTON AT HIGHEST POSSIBLE LEVEL, IF FUNDING PROBLEM IS AS CRITICAL AS WE HAVE BEEN LED TO BELIEVE.

HODGSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO14805
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740328-0072
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741137/aaaabflz.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OES
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) KRATZER-LIVERMAN TELCON NOV. 13
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 01 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 AUG 2002 by cunninfx>; APPROVED <20 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ABCC
TAGS: TECH, JA, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005